

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE MONTANA ECONOMY

The importance of small business to the state of Montana is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Montana had 28,749 businesses with employees; 97.9 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 54,000 self-employed persons in 1996 for an estimated total of 82,749 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 5.3 percent to \$1.6 billion in 1996, while wage-and-salary income rose 5.8 percent. Total personal income rose 5.7 percent to \$9.8 billion. The state also exported \$340.9 million of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 34,100 women-owned businesses in Montana, including part-time firms, employing 66,500 people and generating \$6.2 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 76.7 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 46.8 percent from 1987 to 1992, totaling 113 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 86.8 percent during the same time period with 568 firms in 1992. There has also been an increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 612 in 1987, to 845 in 1992, representing a 38.1 percent increase.

**Business Turnover** - The number of new firms increased 22.7 percent, while new business incorporations increased 31.6 percent in 1996. Financial difficulties leading to business bankruptcies increased by 28.1 percent and business failures increased by 17.8 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Montana decreased from 117 in 1994 to 101 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
BITTERROOT VALLEY BK	Lolo
MOUNTAIN BK	Whitefish
FIRST ST BK OF MONTANA	Thompson Falls
FIRST SECURITY BK	West Yellowstone
UNITED STATES NB OF RED LODG	Red Lodge
FLATHEAD BK OF BIGFORK	Bigfork
RUBY VALLEY NB	Twin Bridges
CITIZENS ST BK	Hamilton
BANKWEST NA	Kalispell
MOUNTAIN WEST BK OF HELENA N	Helena
ROCKY MOUNTAIN BK	Billings
FIRST SECURITY BK MISSOULA	Missoula
FIRST INTERSTATE BK OF CMRC	Billings
NORWEST BK MT NA	Billings
FIRST BK MONTANA NA	Billings

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 82.2 percent of the small business growth. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	15,787	7,065	3,701	1,245	(9,237)	18,560
Manufacturing	(108)	247	573	376	(737)	352
Retail Trade	3,632	1,812	161	(92)	(939)	4,573
Services	8,223	3,560	1,565	(564)	(5,382)	7,402
Other	4,039	1,445	1,402	1,525	(2,180)	6,233

**Industries** - The composition of small business in Montana is very diverse. The Eating & Drinking Places industry is the largest small business employer in Montana, followed by Health Services. The fastest

growing industry for small business is Metal Mining (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Montana by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	249,601	100.0	73.0
Health Services	8000	31,686	12.7	60.4
Eating & Drinking Places	5800	27,174	10.9	88.1
Food Stores	5400	10,184	4.1	55.1
Wholesale Trade - Durable Goods	5000	9,280	3.7	84.3
Automotive Dealers & Gasoline Service Stations	5500	8,998	3.6	80.5

Table 2, Top Five Small Business Industries in Montana by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	182,233	100.0	73.0
Eating & Drinking Places	5800	23,928	10.9	88.1
Health Services	8000	19,129	12.7	60.4
Wholesale Trade - Durable Goods	5000	7,822	3.7	84.3
Social Services	8300	7,739	3.5	87.6
Automotive Dealers & Gasoline Service Stations	5500	7,244	3.6	80.5

Table 3, Fastest Growing Industries for Small Business in Montana, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	176,184	182,233	6,049	3.4
Metal Mining	718	1,087	369	51.4
Electronic & Electrical Equipment & Components Except Computer	572	674	102	17.8
Engineering, Accounting, Research, Management, & Related Services	4,556	5,217	661	14.5
Automotive Repair, Services, & Parking	2,735	3,044	309	11.3
Transportation By Air	572	628	56	9.8

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.